

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** June 26, 2008  
**POSITION:** Oppose

**BILL NUMBER:** SB 325  
**AUTHOR:** J. Scott  
**RELATED BILLS:** SB 361

### **BILL SUMMARY:** Educational and Economic Goals for CA Higher Education

This bill would establish a new state accountability framework to assess the state's postsecondary education system in meeting specified statewide educational and economic goals. Some major provisions of the bill include the following: (1) require the state's public and independent colleges and universities to collect specific data on up to 30 indicators of progress and provide biennial reports to the California Postsecondary Education Commission (CPEC), who would then report on this information, compiled into statewide data, beginning August 1, 2009; (2) require the Legislative Analyst's Office (LAO) to convene a Technical Advisory Committee (TAC) to develop the technical specifications of the indicators and analyze the biennial CPEC reports to assess the extent to which California has made progress on six statewide policy questions specified in this bill; and (3) state legislative intent that the segments provide timely and accessible data to students and their families to assist with their decision making processes.

### **FISCAL SUMMARY**

All of the state's public higher education segments, as well as CPEC and LAO, have indicated that their costs to implement this bill would be absorbable. Finance notes, however, that this bill could result in substantial costs and pressures in the future, potentially in the millions of dollars, for all segments, especially CPEC, to satisfy the extensive data collection, reporting, and review processes that this state accountability framework would require. Finance notes that future state funding for CPEC is uncertain at this time, given the Senate's action to reduce funding by 25 percent and to phase out CPEC's General Fund operations.

Further, the bill's requirement that indicators be collected longitudinally and be coordinated with other longitudinal data systems, such as the California Longitudinal Pupil Achievement Data System (CalPADS), to the extent possible, may drive substantial technology cost increases for CPEC's data system and CalPADS.

Finance also notes that, to the extent that the segments would be expected to make specified data available to students and families, it could impose new cost pressures on the segments and potential reimbursable cost mandates on local CCC districts, depending on how this intent may be implemented by the Chancellor's Office.

### **COMMENTS**

Finance is opposed to this bill and believes a more appropriate approach to improving statewide accountability toward societal goals for the higher education systems could be accomplished through the work of a task force as specified in the bill, utilizing currently reported information from the UC/CSU Compact, the CCC's ARCC and other existing information. The high level of specificity contained in this bill on state goals, policy questions and measures do not appear to be fully appropriate in determining the higher education segments performance because they do not control all of the variables in meeting the specified goals. Moreover, the statewide goals are likely not achievable and the comparative statistics to determine ranking with other states is likely subject to interpretation and inaccuracies. Major concerns include the following:

- Given the intent of this bill to inform funding decisions for the higher education segments, it is likely this bill would drive significant pressure for more funding for higher education because the specified, quantifiable goals would require the state to chase improved performance against other states. This is not unlike the rationale for Proposition 98 wherein the goal was to achieve the average funding per pupil figure of other states. Despite large increases over twenty years, the goal does not appear to have been met and there is not a consensus measure of comparable data to determine if it would be met.

Analyst/Principal (0384) S. Swan	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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- Furthermore, Finance notes that the bill's defined state goals would likely be unachievable by 2020, and, while Finance largely agrees it would be desirable to make progress toward these goals, any accountability system for assessing segmental contributions to economic goals should focus more specifically on the segments performance in meeting the state's recognized workforce needs.
- Given that the segments are not the only determining variable in achieving the stated educational and economic goals, it is unclear whether the collective responses from the higher education segments to the bill's suggested indicators will effectively help state policymakers achieve those goals.
- Under the Compact for Higher Education, UC and CSU have already committed to provide relevant student and institutional outcome data in the areas of program efficiency, utilization of systemwide resources, and student-level information. In addition, Finance, the CCC Chancellor's Office, and LAO have developed a separate outcome based, district-specific accountability system for the community colleges, referred to as Accountability Reporting for the Community Colleges (ARCC). Many of the measures currently utilized in these public higher education segments' accountability efforts are not included in the bill's list of 25 proposed indicators, and Finance notes that a number of the bill's indicators would not be appropriately answered by the individual higher education segments. For instance, the number of high school juniors who are proficient in reading and mathematics should come from the K-12 system. The higher education segments should not be held accountable for the performance of K-12 schools in preparing students for college.
- Although no specific costs have been identified by the higher education entities affected by this bill, Finance notes that this bill presents significant cost pressures from the likelihood that CPEC and the segments will request additional state support funding in the future in order to satisfy the extensive data collection, reporting, and review processes that this state accountability framework would require, particularly in the event that decisions are made to collect new, unspecified data which this bill would authorize. Additionally, the Chancellor's Office notes this bill will drain resources from the production of the annual ARCC report noted above.
- Also, given the uncertainty of CPEC's future state funding, Finance notes that it is premature to impose new statutory responsibilities on CPEC, which include ongoing data management and reporting requirements.

## **ANALYSIS**

### **A. Programmatic Analysis**

This bill would delete the existing Higher Education Accountability Program and establish a new state accountability framework intended to assess the collective performance of the state's system of postsecondary education in meeting prescribed educational and economic goals by 2020. These goals would include:

- Increasing educational success and transition across all education levels. Specifically, this bill state's a goal that by 2020, California will improve its "educational pipeline" numbers so that it is among the top 10 states in the nation in the percentage of students graduating from high school, entering college, and graduating within 150 percent of program time.
- Meeting the state's economic and workforce development and civic capacity needs. Specifically, this bill state's a goal that by 2020, California will be at the average per capita income of the top 10 new economy states as determined using an index developed by the Progressive Policy Institute.
- Closing the state's achievement gap and increasing the number of high school diplomas and postsecondary degrees and certificates conferred across specified age groups. Specifically, this bill state's a goal that by 2020, California will be in the top 10 states nationally for the percentages of degrees and certificates conferred within its age groups.

The bill would require the CCCs, CSU, UC, and the state's independent colleges and universities to provide biennial reports to CPEC, to measure the progress of the state's postsecondary institutions in successfully serving students by answering the following six statewide policy questions:

1. Are enough Californians prepared for postsecondary education?
2. Are enough Californians going to college?
3. Is the state's postsecondary education system affordable to all Californians?
4. Are enough Californians successfully completing certificates and degrees?

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5. Are college graduates prepared for life and work in California?
6. Are California's people, communities, and economy benefiting?

The bill would specify that the higher education segments shall collect and report on up to 30 indicators of progress, 25 of which are delineated in this bill. (Finance notes that it is unclear whether the Legislature can statutorily require independent entities to submit reports to the state.) The LAO would be required to convene a TAC composed of representatives from the various higher education segments and government agencies, to recommend and coordinate the specifications of the indicators. The LAO would report on the TAC's recommendations by January 30, 2009. The bill stipulates that the chosen indicators may be modified in any year through provisional budget language in the annual Budget Act. The bill would require LAO to convene the TAC as necessary to make recommendations regarding modifications to the reporting indicators selected and the goals specified in this bill.

It is unclear whether the collective higher education segments responses to the bill's indicators will effectively help state policymakers assess progress toward state goals and to make appropriate policy and funding decisions. For example, the bill would propose the following indicator to answer the statewide policy question as to whether enough Californians are prepared for higher education: "*Adults with a high school diploma or the equivalent*". Finance notes that this measure is more appropriately answered by the state's K-12 school districts, and that this indicator does not provide any indication of the success of high school graduates who attend postsecondary institutions or their contribution to the state's workforce needs or economic goals.

Furthermore, the state's public higher education segments already provide extensive data that include a mix of output and outcome measures that will be used to determine progress toward systemwide accountability goals. Finance finds that the 25 indicators suggested in the bill are not nearly as comprehensive as the list of outcome measures already provided by the segments. Under the Compact for Higher Education, UC and CSU have already committed to provide relevant student outcome data as well as institutional outcome data in the areas of program efficiency, utilization of systemwide resources, and student-level information.

In addition, Finance, the CCC Chancellor's Office, and LAO have developed a separate outcome based, district-specific accountability system for the community colleges, referred to as Accountability Reporting for the Community Colleges, in response to legislation signed in 2004 (Chapter 581, AB 1417). Finance is concerned that this bill would create conflicting signals and pressures on the ability of the Chancellor's Office to continue producing and refining this report. Furthermore, to the extent that the indicators proposed under this bill are intended to replace measures currently utilized in the ARCC framework, and to the extent that those indicators are not district-specific, this bill has the potential to reduce the rigor and relevance of the current accountability structure.

The higher education segments would be required to submit their first reports on the selected indicators by May 31, 2009, with biennial reports due thereafter. The bill stipulates that, to the extent possible, the higher education segments shall rely upon existing data in providing the required data. CPEC would be the central repository for collecting and maintaining this data, and would submit a report on the data to the Legislature and the Governor by August 1, 2009, and by August 1 of each odd-numbered year thereafter. Within 120 days of this report's submittal, LAO, in consultation with the postsecondary education segments, would review the report to assess the extent to which California has made progress on the six statewide policy questions specified in this bill and identify subsequent policy and funding concerns that the Legislature might consider. By December 30, 2009, and biennially thereafter, LAO would present its findings at joint legislative hearings.

The bill would authorize, but not require, the boards and associations of the state's four higher education segments to provide biennial reports at these same joint legislative hearings, intended to provide a link between the state's postsecondary education accountability framework and the segments independent accountability efforts. These reports would include the following:

- The segment's priorities for each of the state's goals prescribed in this bill, the major activities underway to address these priorities, and the performance indicators used to measure the progress toward the goals;
- Major highlights from the collected data that have state-level significance;
- Information on the segment's institutional goals for student learning outcomes; and
- A summary of activities undertaken to address areas of special state educational needs.

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The bill also would include legislative intent that the public and independent postsecondary segments provide timely and accessible data to students and their families to assist with their decision making processes. This data shall be provided in a manner that minimizes the costs to the institutions, and the intent language would specify that the institutions disseminate the information using existing electronic resources such as Internet Web sites.

The bill, in conjunction with SB 361 (Scott), would delete several of CPEC's review and reporting requirements that, according to the author's office, are obsolete or have not been recently produced. The bill also would repeal the statute that requires the three public postsecondary segments to present reports on student transfer patterns to CPEC, and similarly, would delete the request that CPEC convene an advisory committee on transfer access and performance. While these reporting activities on student transfer patterns and success are intended to be subsumed into the indicators that would be reported on under this bill, Finance notes that the reporting requirements on transfer students in the bill's list of indicators are very limited.

Finally, current law specifies CPEC's statutory responsibilities which includes a provision that CPEC comply with the federal Education Amendments of 1972 as specified. Finance notes that the federal provisions of this law that pertained to CPEC's role as the state's designated higher education agency were repealed in 1980. This bill would not eliminate the obsolete provision under current state law.

**B. Fiscal Analysis**

All of the state's public higher education segments, as well as CPEC and LAO, have indicated that their costs to implement this bill would be absorbable. However, Finance believes that this bill could result in substantial costs and pressures in the future, potentially in the millions of dollars, to satisfy the extensive data collection, reporting, and review processes that this state accountability framework would require, particularly in the event new data is required to provide meaningful accountability toward the bill's stated goals.

CPEC estimates that the bill's costs would be absorbable to the extent that it would receive state funding in 2008-09 at the level proposed in the Governor's Budget, which includes a 10 percent unallocated reduction of \$223,000. Future state funding for CPEC is uncertain, however. While the Assembly has adopted the Governor's Budget, the Senate has proposed a 25 percent reduction of \$557,000, and adopted legislative intent language to phase out CPEC's General Fund operations by June 30, 2011. CPEC also assumes that it will achieve slight savings due to the elimination of several reporting requirements in this bill and SB 361 (Scott). Finance notes that eliminating limited existing reporting requirements, as proposed in this bill and SB 361, would do little to defray the costs that CPEC would incur in administering the new accountability structure proposed in this bill. For the most part, the reports that would be eliminated pursuant to the adoption of these bills are either obsolete or have not been produced by CPEC recently.

UC and CSU also stated that the costs to implement the bill would likely be absorbable, since the bill states that the segments should rely upon existing data to the extent possible. However, both segments indicated that if they would need to collect new data they may incur additional costs. Until the TAC, to be convened by LAO, determines which indicators would be selected to answer the bill's policy questions and address the statewide goals, it is unknown how significant the segments and CPEC's additional costs might be.

The CCCs have indicated that the workload levels imposed by this bill would likely create a division in their existing staff resources, given the bill's direction to accommodate new data reporting within existing data collection, reporting, and processing efforts. This likely would lead to the redirection of staff from existing accountability activities supported by the administration, creating new cost pressures to provide additional staff to maintain current accountability activities.

Further, the bill's requirement that indicators be collected longitudinally and be coordinated with other longitudinal data systems, such as the California Longitudinal Pupil Achievement Data System (CalPADS), to the extent possible, may drive substantial cost pressures to the state.

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)****Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Finance also notes that, to the extent that the segments would be expected to make specified data available to students and families, it could impose new cost pressures on the segments and potential reimbursable cost mandates on local CCC districts.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
6420/CPEC	SO	No		-----	See Fiscal Summary	-----			0001
6440/UC	SO	No		-----	See Fiscal Summary	-----			0001
6610/CSU	SO	No		-----	See Fiscal Summary	-----			0001
6870/Comm College	SO	No		-----	See Fiscal Summary	-----			0001